



South Carolina Retirement System

SCRS Member Handbook

January 2013 Edition

This handbook provides an overview of benefits as of January 2, 2013

South Carolina
PUBLIC EMPLOYEE BENEFIT AUTHORITY

PEBA

This page contains no other content.

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Employers covered by the South Carolina Retirement Systems are not agents of the Retirement Systems.

The information in this handbook is meant to serve as a guide, but does not constitute a binding representation of the South Carolina Retirement Systems. The statutes governing the South Carolina Retirement Systems are found in Title 9 of the South Carolina Code of Laws, and should there be any conflict between this handbook and the statutes or the Retirement Systems' policies, the statutes and policies will prevail. Because state statutes are subject to change by the General Assembly, please contact us for the most current information.

Contacting the S.C. Public Employee Benefit Authority

Office Hours

8:30 a.m. - 5:00 p.m.

Phone

803-737-6800

800-868-9002 (within S.C. only)

Mailing Address

P.O. Box 11960

Columbia, SC 29211-1960

www.retirement.sc.gov

Try Our Live Chat Option!

Get answers to your general retirement questions through our live chat feature. Click on the "Customer Service Chat Now" button in the header area of our homepage to start the process.

Live chat is available from 9:00 a.m. to 4:00 p.m., Monday through Friday.

Locating the S.C. Public Employee Benefit Authority

Location Address

202 Arbor Lake Drive

Columbia, SC 29223

Directions from Downtown Columbia

The Retirement Systems' office is located at 202 Arbor Lake Drive, approximately five miles north of Columbia. To reach our office from downtown Columbia, head north on the Bull Street Extension, which becomes SC-277, and exit right on Fontaine Road. Then turn right on Fontaine Road and make another right into the Fontaine Business Center (Arbor Lake Drive). You will see signs directing you to the Retirement Systems' building and visitors' parking area.

Directions from the Interstate From I-20 (Augusta or Florence)

Take Exit 73-A to SC-277 toward Columbia and exit at Fontaine Road. Then turn right on Fon-

taine Road and make another right into the Fontaine Business Center (Arbor Lake Drive). You will see signs directing you to the Retirement Systems' building and visitors' parking area.

From I-26 East (Spartanburg)

Take I-20 East toward Florence and take Exit 73-A to SC-277 toward Columbia and exit at Fontaine Road. Then turn right on Fontaine Road and make another right into the Fontaine Business Center (Arbor Lake Drive). You will see signs directing you to the Retirement Systems' building and visitors' parking area.

From I-26 West (Charleston)

Take Exit 116 (I-77 North) toward Charlotte and exit to I-20 toward

Augusta (Exit 16). Take Exit 73-A to SC-277 toward Columbia and exit at Fontaine Road. Then turn right on Fontaine Road, and make another right into the Fontaine Business Center (Arbor Lake Drive). You will see signs directing you to the Retirement Systems' building and visitors' parking area.

From I-77 South (Charlotte)

Take Exit 18 to SC-277 toward Columbia and exit at Fontaine Road. Then turn right on Fontaine Road and make another right into the Fontaine Business Center (Arbor Lake Drive). You will see signs directing you to the Retirement Systems' building and visitors' parking area.

THIS HANDBOOK CONTAINS AN ABBREVIATED DESCRIPTION OF THE RETIREMENT BENEFITS OFFERED BY THE SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY. THE INFORMATION IN THIS HANDBOOK IS MEANT TO SERVE AS A GUIDE FOR OUR MEMBERS AND DOES NOT CONSTITUTE A BINDING REPRESENTATION OF THE SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY. TITLE 9 OF THE SOUTH CAROLINA CODE OF LAWS CONTAINS A COMPLETE DESCRIPTION OF THE RETIREMENT BENEFITS, THEIR TERMS AND CONDITIONS, AND GOVERNS ALL RETIREMENT BENEFITS OFFERED BY THE STATE. STATE STATUTES ARE SUBJECT TO CHANGE BY THE GENERAL ASSEMBLY. PLEASE CONTACT THE SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY FOR THE MOST CURRENT INFORMATION.

THE LANGUAGE USED IN THIS HANDBOOK DOES NOT CREATE ANY CONTRACTUAL RIGHTS OR ENTITLEMENTS AND DOES NOT CREATE A CONTRACT BETWEEN THE MEMBER AND THE SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY. THE SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY RESERVES THE RIGHT TO REVISE THE CONTENT OF THIS HANDBOOK.

General Information

The South Carolina Retirement System (SCRS) is a defined benefit retirement plan administered by the South Carolina Public Employee Benefit Authority (PEBA). This handbook provides a general introduction to SCRS and its benefits. SCRS provides service and disability retirement, deferred service retirement, and survivor benefits.

If you chose participation in the State Optional Retirement Program (State ORP) defined contribution plan in lieu of SCRS membership, contact your State ORP investment provider for benefits information. If you have not yet made your decision, please refer to the [Select Your Retirement Plan guide](#) and the ["It's Your Choice: SCRS Plan or State ORP" video](#).

Membership

Membership is comprised of state employees, public and charter school employees, public higher education personnel, employees of other political subdivisions of government that have joined SCRS, and individuals first elected to the South Carolina General Assembly in and after November 2012.

Membership is mandatory as a condition of your employment with a participating employer; however, certain types of employment, including student employees, are specifically

exempted from membership by statute. Others, such as non-permanent employees, have the option of electing non-membership within 30 days from their date of hire. Your employer should inform you if your employment falls into one of these categories.

Your SCRS membership starts when you earn compensation from a covered employer and make contributions to your SCRS retirement account. You are considered an active member if you are working for a participating employer in SCRS, earning service credit, making regular contributions to an SCRS retirement account, and have not retired or terminated from covered employment.

You must be an active member to receive most of the benefits described in this hand-





The employee contribution will increase to 7.5 percent effective July 1, 2013, and to 8.0 percent effective July 1, 2014. Your account earns 4 percent interest compounded annually on your balance as of the previous June 30 until you retire or your account becomes inactive. An account is considered inactive when no contributions have been made to the account in the preceding 12 months and no other active, correlated system or State ORP account exists.

book. Active members may view and print a member statement that shows their employee contributions plus interest, service credit, and retirement account beneficiaries at any time through online Member Access (<https://online.retirement.sc.gov/MemberAccess/welcome>).

Currently, there are two classes of membership: Class Two and Class Three.¹ Class Two members are employees whose membership in SCRS was effective before July 1, 2012. Class Three members are those members whose effective date of membership is after June 30, 2012.

Correlated Systems

SCRS, the Police Officers Retirement System (PORS), and the General Assembly Retirement System (GARS) are correlated systems. If you have contributions in more than one of these retirement systems, your service credit is maintained separately within each system; however, your service credit is added together to determine your eligibility for a retirement annuity.

Contribution Rates

You contribute a tax-deferred 7.0 percent of gross pay into your SCRS retirement account.

¹Class One membership is no longer applicable.

Beneficiaries

Active members may designate three types of beneficiaries:

- Primary beneficiaries for your in-service death benefit or refund of contributions. Multiple beneficiaries share equally in a survivor monthly annuity;
- Contingent beneficiaries in case of death of the primary beneficiaries. All primary beneficiaries must be deceased before any contingent beneficiaries will be paid; and
- Incidental death benefit beneficiaries.

You may name your estate as a beneficiary; however, monthly annuity payments cannot be paid to an estate. Active members may change their beneficiaries at any time before retirement.

Active Member Incidental Death Benefit

If, as an active member, you die in service with at least one year of service credit and your employer provides incidental death benefit coverage, a payment equal to your current annual earnable compensation will be paid to your beneficiary. If your death results from a

job-related injury, the one-year requirement is waived. Amounts paid to your beneficiary are considered taxable benefits; therefore, federal taxes will be withheld unless your beneficiary rolls over the money into another qualified retirement plan. It is up to your beneficiary to request that state taxes be withheld from the payment.

State agencies, the General Assembly, and public school districts automatically provide incidental death benefit coverage to their employees; however, coverage is optional for other employers. If an employer elects to provide incidental death benefit coverage for its employees, the employer must pay the required contribution rate for the coverage.

Establishing Service Credit

Active members may establish additional service credit for various types of previous employment and leaves of absence, and up to five years of non-qualified service. Descriptions of these types of service credit follow. Generally, a member on leave without pay from a covered employer is not eligible to establish service credit of any type.

You may establish service credit through a lump-sum payment, an installment service purchase (pre- or post-tax, plus interest), or a tax-deferred rollover from an Individual Retirement Account (IRA), a 401(k) plan, a 401(a) eligible plan, a 403(b) plan, or a 457 plan.

You may establish each type of service credit once within a fiscal year. If you are establishing service to meet retirement eligibility, [contact PEBA](#) for more information. Payment for service purchases must be made in full prior to your retirement date or termination from employment. If you previously established periods of part-time credit or previously earned periods of part-time credit, you may be eligible to establish additional service credit at an additional cost. Please [contact PEBA](#) for more information.

One of the factors used to determine the cost of most types of service purchases is your career highest fiscal year earnable compensation. This includes earnable compensation received while participating in the State Optional Retirement Program (State ORP) if you have purchased SCRS service credit for any State ORP participation. The cost to purchase periods of less than one year will be prorated. You may not establish SCRS service credit for a period of service, other than military service, for which you may also receive a retirement benefit from another defined benefit retirement plan or for a period of service for which you already have credit in SCRS. You also may not establish SCRS service credit if doing so would violate Section 415 or any other provision of the Internal Revenue Code.



Some types of purchased service may not be used in determining retiree health insurance eligibility. Contact your employer or health insurance provider for insurance coverage information. If you are covered by state health insurance, contact PEBA Insurance Benefits at 803-734-0678 or toll free at 888-260-9430 for eligibility information.

Descriptions of Types of Service

Public Service

As an active member, you may establish SCRS service credit for any period of paid public service as an employee of the government of the United States, a state, or political subdivision of the United States by making an actuarially neutral payment to PEBA. The cost calculation is based in part on your current age and service credit, as well as your career highest fiscal year earnable compensation at the time PEBA receives your service purchase request. The cost, which is determined by PEBA's independent actuary, will not be less than 16 percent of your career highest fiscal year earnable compensation for each year purchased.

Educational Service (K-12)

As an active member, you may establish service credit for any period of paid classroom

teaching consisting of grades kindergarten through 12 in a public, private, or sectarian school by making an actuarially neutral payment to PEBA. The cost calculation is based in part on your current age and service credit, as well as your career highest fiscal year earnable compensation at the time PEBA receives your service purchase request. The cost, which is determined by PEBA's independent actuary, will not be less than 16 percent of your career highest fiscal year earnable compensation for each year purchased.

Military Service

As an active member, you may establish up to six years of service credit for any period of military service for which you do not already have service credit in SCRS, PORS, or GARS by making an actuarially neutral payment to PEBA. The cost calculation is based in part on your current age and service credit, as well as your career highest fiscal year earnable compensation at the time PEBA receives your service purchase request. The cost, which is determined by PEBA's independent actuary, will not be less than 16 percent of your career highest earnable compensation for each year purchased. This includes service in the United States Army, Navy, Marine Corps, Air Force, Coast Guard, Select Reserves, and Army or Air National Guard.



Your discharge from service must be under conditions other than dishonorable. Under guidelines set forth by the Uniformed Services Employment and Reemployment Rights Act (USERRA), you may also arrange in advance with your employer to continue contributing to your account while on active duty military leave or make the contributions after returning from military leave within a period three times longer than your military leave, but not more than five years.

Leave of Absence

If you return to covered employment as an active member within four years of an employer-approved leave of absence, you may purchase service credit for the employer-approved leave period for which you do not already have service credit, up to a maximum of two years per leave of absence. The leave of absence must be with an employer covered by one of the retirement systems administered by PEBA. You may establish this service by making an actuarially neutral payment to PEBA. The cost calculation is based in part on your current age and service credit, as well as your career highest fiscal year earnable compensation at the time PEBA receives your service purchase request. The cost, which is determined by PEBA's independent actuary, will not be less than 16 percent of your career highest fiscal year earnable compensation for each year purchased.

Workers' Compensation

As an active member, you may establish service credit for a period while on a leave of absence and receiving workers' compensation benefits. The cost is based on contributions plus interest using your earnable compensation at the time of injury. You may also arrange in advance with your employer to continue contributing to your account while you are receiving workers' compensation benefits.

Previously Withdrawn SCRS Service

If you left employment and received a refund of your contributions plus interest from PEBA, you may re-establish this service upon returning to active membership. You must repay the amount you withdrew plus interest to the date your request is received. Previously withdrawn earned service that is re-established in SCRS is



considered earned service for the determination of the SCRS minimum service requirement for benefit eligibility. Please note that earnings associated with a re-established withdrawal will be considered for possible inclusion in the calculation of a member's average final compensation and any subsequent service purchase calculations.

Non-Qualified Service

Active Class Two and Class Three members who have five or more years of earned service credit may establish up to five years of non-qualified service by making an actuarially neutral payment to PEBA. The cost calculation is based in part on your current age and service credit, as well as your career highest fiscal year earnable compensation at the time PEBA receives your service purchase request. The cost, which is determined by PEBA's independent actuary, will not be less than 35 percent of your career highest fiscal year earnable compensation for each year purchased.

State ORP Service

Active members may purchase service credit for their years of participation in the State ORP by making an actuarially neutral payment to PEBA. The cost calculation is based in part on

your current age and service credit, as well as your career highest fiscal year earnable compensation at the time PEBA receives your service purchase request. The cost, which is determined by PEBA's independent actuary, will not be less than 16 percent of your career highest fiscal year compensation for each year purchased.

You may not purchase service for a period of State ORP participation for which you may receive a retirement benefit from another defined benefit retirement plan. State ORP service that is established in SCRS through the service purchase process is considered earned service for the determination of the SCRS minimum service requirement for benefit eligibility.



In-Service Death

If as an active member you die in service, your designated beneficiary may be entitled to receive the following benefits:

- Active member incidental death benefit (however, if you have less than one year of service credit, your death must be job-related); and,
- Refund of employee contributions, plus interest.

Further, if you have at least five years of earned service for a Class Two member or eight years of earned service for a Class Three member **and** either (1) have at least 15 years of total service credit or (2) are at least 60 years of age at the time of your death, your designated beneficiary will be eligible to elect a lifetime monthly benefit in lieu of a refund of your employee contributions.

Active member incidental death benefits are paid only if your employer provides incidental death benefit coverage.

Disability Retirement Annuity Who May Apply

You may apply for a disability retirement annuity if you become physically or mentally incapable of performing the regular duties of your job and your disability is likely to be permanent. Becoming disabled does not automatically qualify you for a disability retirement annuity; you must file an application and go through the review process. PEBA must receive your disability retirement application within 90 days of the date of your termination from covered employment.

If you are a Class Two member, you must have at least five years of earned service credit toward retirement unless your disability is the result of an injury arising out of and in the course of the performance of your job duties. Class Three members must have at least eight years of earned service credit toward retire-

ment unless your disability is the result of an injury arising out of and in the course of the performance of your job duties.

You may arrange with your employer to make your retirement contributions through your employer if your disability requires you to be placed in an employer-approved leave status while receiving workers' compensation benefits. Doing so will ensure that you continue to earn retirement service credit during your workers' compensation leave period. Do not wait to apply for a disability annuity until your workers' compensation claim is finalized. Many workers' compensation claims are often settled after covered employment has ended. If your disability claim is denied, the continuance of paying retirement contributions and earning retirement service credit may be important to your long-term retirement plans. Retired members who work for a covered employer are not eligible to apply for a disability retirement annuity.

Effective January 1, 2014, the state's disability standards will be changed to conform to Social Security provisions.

How to Apply

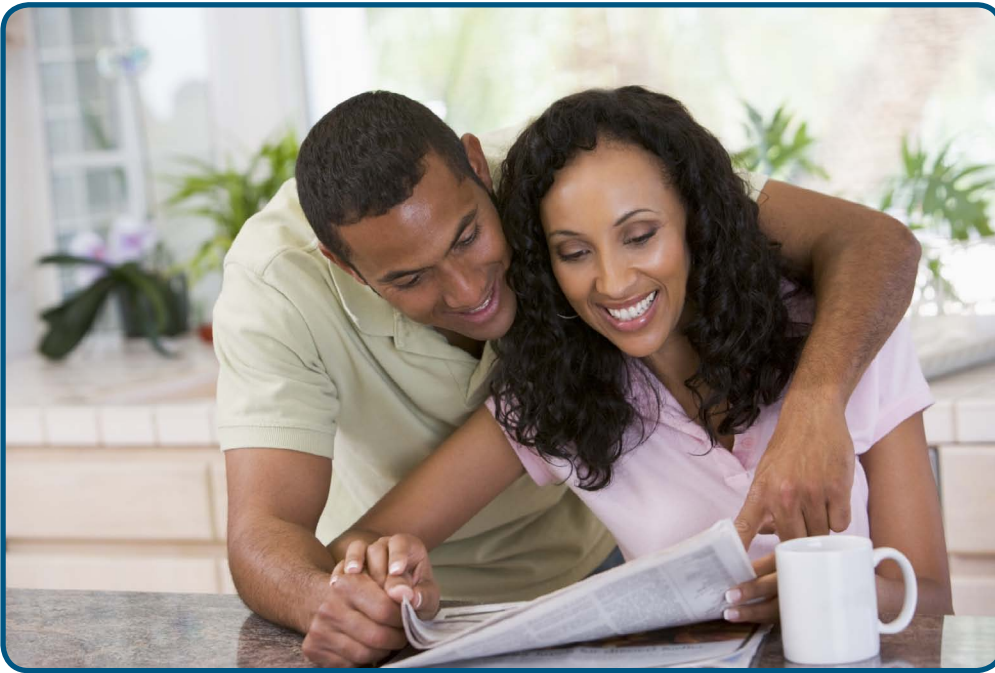
If you meet the disability filing criteria, go to [our website](#) or [contact Customer Services](#) to obtain a disability retirement packet. When you file your disability retirement claim, please complete all of the forms in the disability retirement packet. You do not, however, need to include any medical records from your health care providers. You should file your application for disability retirement as soon as you become disabled. PEBA must receive your disability application within 90 days of the date of termination from your covered employment or you will not be eligible to participate in the disability retirement program.

If you do not receive notification in the mail confirming PEBA's receipt of your application within 10 days after submitting it, please [contact Customer Services](#). If you are eligible for service retirement when you become disabled, you may apply for a service retirement annuity and begin receiving a monthly annuity while awaiting determination of your disability claim. You will receive only one type of payment; therefore, if your disability claim is approved, the service retirement annuity will cease. When filing for both service and disability retirement benefits, please note that your disability retirement application must be received before your service retirement date.

Processing the Claim

Your medical records will be obtained from your health care providers by our disability determination provider and evaluated to determine the severity and limiting effects of your physical or mental impairment. The final determination is made by PEBA. If your claim is denied, you will have an opportunity to appeal the denial. Please allow a minimum of three months after all required documentation has been received from you, your employer, and your health care providers for your disability application to be processed. If you do not receive notification of PEBA's decision within three months, please [contact Customer Services](#).





to be a normal distribution from your retirement account.

Disability annuities paid by SCRS are based on approval for an occupational or job-related disability. Per Internal Revenue Service (IRS) guidelines, all such annuities are reported as normal distributions with a distribution code of 7 on IRS form 1099-R. For tax information, contact the IRS, the South Carolina Department of Revenue

Effective Date

If your disability retirement claim is approved, the effective date for your annuity will be the 30th day after your application is received by PEBA or the day after your last day on your employer's payroll, whichever is later. A disability annuity, once approved, may be discontinued if:

- You regain a certain earning capacity; or
- Medical evidence indicates that you are no longer disabled; or
- Your disability annuity was not approved following a continuing disability review.

Periodic medical reexaminations may be required up to age 65. If PEBA determines that your disability annuity should cease because of an improvement in your medical condition, your annuity will stop the month of your scheduled continuing disability review or the month of PEBA's decision, whichever is later.

Benefit Payments

A disability applicant has the same payment options as a service retiree (see Page 13). Because PEBA does not determine your disability based on the criteria for a disability that is total and permanent like the Social Security Administration, your disability annuity is considered

if you live in South Carolina, and/or a tax advisor. If you also receive benefits from the Social Security Administration that are based on total and permanent disability, such benefits are reported to you with a distribution code of 3 on IRS form 1099-R. If you are considered to be totally and permanently disabled, annuities paid by PEBA may be eligible for additional tax credits. Please refer to the instructions for completing IRS Schedule R when preparing your income tax return.

Returning to Employment While Receiving a Disability Retirement Annuity

If you are under age 65 and receiving an SCRS disability annuity, you should report earnings from any gainful (public or private) employment to PEBA annually because there is an earnings limitation for all employment which is applied on a calendar-year basis. You may earn the difference between your adjusted average final compensation (AFC) at retirement and your disability annuity without affecting your annuity.

Your AFC may be adjusted each year for inflation for earnings limitation purposes only. This increase generally matches the percentage

of the annual increase in the Consumer Price Index for Wage Earners and Clerical Workers (CPI-W). These adjustments affect the amount you can earn while receiving a disability annuity; however, they do not affect the amount of your annuity. You will receive a letter each February advising you of how much you can earn and requesting confirmation of your prior year's earnings. You will have to repay any benefits that you received to which you were not entitled. If you earn more than the difference between your adjusted AFC and your disability annuity, your monthly annuity will be reduced or possibly canceled.

If you return to work with an employer covered by one of the retirement systems administered by PEBA and your annual earnable compensation is equal to or greater than your adjusted AFC, your disability annuity ceases and you must become an active member of the system. After age 65, a disability retiree is subject to the same earnings limitation as a service retiree.

Leaving before Retirement

If you leave your job and terminate all employment covered by one or more of the retirement systems administered by PEBA before you are eligible to retire, you have two options concerning your contributions:

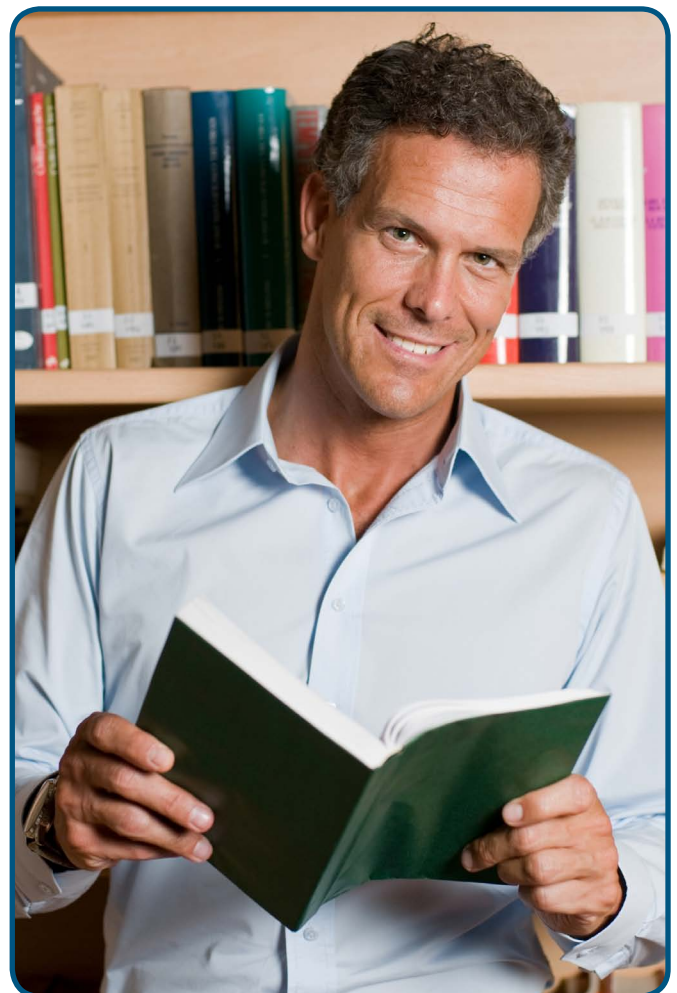
- Request a refund of your contributions and interest; or
- Leave your funds in your SCRS account. Your account will continue to accrue interest until your account becomes inactive. Your SCRS account is considered inactive when no contributions have been made to the account in the preceding 12 months and no other active, correlated system or State ORP account exists.

Request a Refund

To receive a refund of your accumulated contributions and interest, you must complete a [Refund Request \(Form 4101\)](#) and return it to PEBA. You may submit your refund request immediately upon termination; however, by

law, there is a minimum 90-day waiting period from your date of termination until a refund can be made. If you are working for two or more covered employers and/or contributing to more than one retirement account (i.e., working two jobs and paying into an SCRS and a PORS account), you must stop working in all correlated systems to request a refund from any account.

If you receive a refund, you forfeit your rights to any future service retirement or disability annuity. Employer contributions are not refunded. Instead of having the refund paid directly to you, you may choose to roll over the funds into an IRA, a 401(k) plan, a 401(a) eligible plan, a 403(a) plan, a 403(b) plan, or some 457 plans (the South Carolina Deferred Compensation Program's 457 plan does not accept rollovers from your SCRS account).



PEBA is required to withhold federal taxes of 20 percent on the taxable portion of any refund that is eligible for a rollover but is not transferred directly into another qualified retirement plan. Other taxes or penalties may apply as well. Under the federal Pension Protection Act of 2006, the 10 percent withdrawal penalty is waived for public safety members who separate from service after age 50 and military reservists and national guardsmen who are called to active duty for at least 180 days. Be sure to check with an accountant or tax advisor regarding your tax liability.

Leave Funds on Deposit

When you leave your money in your SCRS account, you retain your years of service credit, which may be added to any future service you may accrue should you later become employed in a position covered by one of the correlated retirement systems administered by PEBA. Your account will continue to earn interest until it becomes inactive. An account is considered inactive when no contributions have been made to the account in the preceding 12 months and no other active, correlated system or State ORP account exists. You may apply for a refund at a later date or apply for a service retirement annuity upon reaching eligibility. No action is required if you wish to

retain your membership and leave your funds on deposit, but it is your responsibility to keep PEBA informed of your current address as well as any name or beneficiary changes.

Service Retirement

A good way to begin the planning process for retirement is to attend a retirement seminar offered by PEBA. Sessions are held regionally in the fall. The seminar schedule can be found online at www.retirement.sc.gov/events. You can also register to attend a seminar through this website. If you are considering retirement, you may obtain a consultation by telephone or in person at our office. Simply [contact Customer Services](#) to arrange a consultation.

When to Apply

You must file an application with PEBA to retire; it is not automatic. You may file your application as early as six months prior to your desired effective date of retirement but no later than 90 days afterward. We encourage you to file your application as early as possible. Retirement applications and other forms are available on our website at www.retirement.sc.gov or you may [contact Customer Services](#) to request these forms.

If you do not receive notification of PEBA's receipt of your application within 10 days after submitting it, [contact Customer Services](#). Please do not terminate employment until the PEBA has audited your service credit and you receive official notice of your retirement eligibility. This official notice will be sent to you in the mail and is entitled, "Notification of Retirement Eligibility and Estimated Benefit."

Benefit estimates may be obtained from PEBA but are projected based on information you provide and information in PEBA's records. Benefit



estimates are subject to change upon an audit of your account after your retirement application is received.

Eligibility

If you meet the following requirements, you are considered eligible to retire (see **Corrected Systems** on Page 2 if you have an account in more than one retirement system):

Normal Retirement (Unreduced Benefit)

Class Two Members:

- 28 years of service on the date of retirement, five years of which must be earned; or
- Age 65 or older on the date of retirement with five years of earned service.

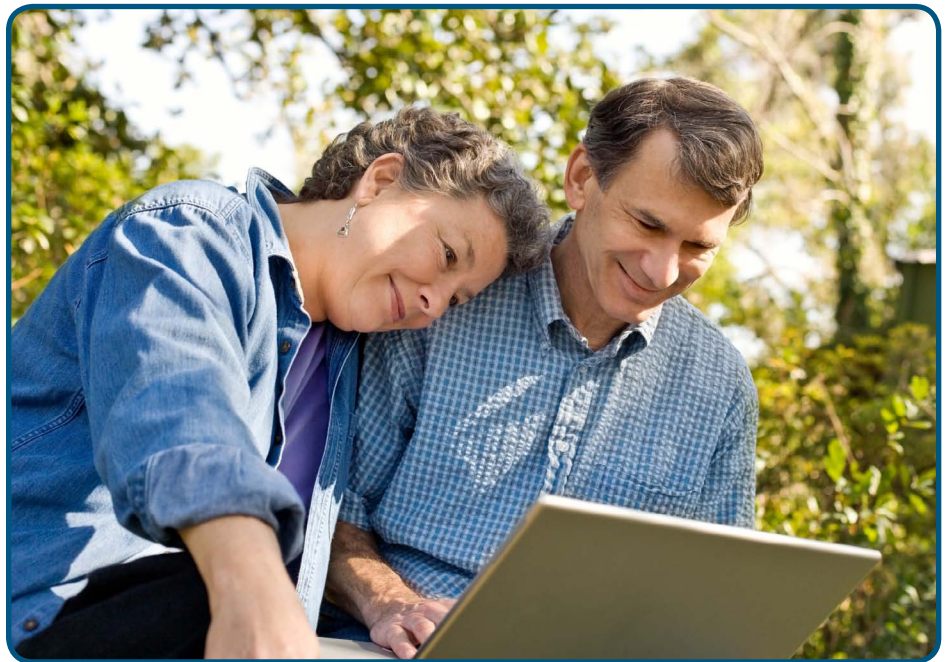
Class Three Members:

- Meet the rule of 90 requirement with at least eight years of earned service. This means that your age and years of service must add up to 90. For example, a member who is 56 years old and has at least 34 years of service, eight years of which must be earned, would be eligible for normal retirement ($56 + 34 = 90$).
- Age 65 or older on the date of retirement with eight years of earned service.

Early Retirement (Reduced Benefit)

Class Two Members:

- Age 60 with at least five years of earned service. Your benefit is permanently reduced 5 percent for each year of age less than 65; or
- Age 55 or older with 25 years of service, five years of which must be earned. Your benefit is permanently reduced 4 percent for each year of service less than 28. Benefit adjustment restrictions apply (see Page 17).



Class Three Members:

- Age 60 with at least eight years of earned service. Your benefit is permanently reduced 5 percent for each year of age less than 65.

Average Final Compensation

Your AFC is an important part of the formula used to calculate your retirement annuity. When you retire, your initial annuity payments will be based on information received up to that point and will be considered an estimated amount.

If you are a Class Two member, after your employer submits your final earnable compensation information, retirement contributions for your 12 highest consecutive quarters of earnable compensation will be audited. For work performed after June 30, 2012, your AFC does not include any overtime pay not mandated by your employer. Your AFC may be adjusted after the audit if any of the contributions included in the AFC calculation were for any payments not considered a part of your regular earnable compensation base. Your AFC will also be adjusted according to statute to include payment for your unused annual leave. As a result of the information received from your employer and the audit of the contribu-

tions for your 12 highest consecutive quarters of earnable compensation, your retirement annuity will be finalized. The final amount may be less than, or more than, your estimated annuity.

If you are a Class Three member, you will have retirement contributions for your 20 highest consecutive quarters of earnable compensation audited. Your earnable compensation does not include any overtime pay not mandated by your employer. You will not receive service credit for unused sick leave at retirement, nor will payment at retirement for your unused annual leave be included in the calculation of your AFC.

Service Retirement Annuity Calculations

Class Two – Membership Effective Prior to July 1, 2012

The four-step formula below is used to calculate your monthly annuity based on the Option A payment option described on Page 13.

Class Two Benefit Formula

- Step 1** Total your 12 highest consecutive quarters of earnable compensation and divide by 3.¹
- Step 2** Multiply the result of Step 1 by 1.82 percent (.0182) for Class II service or by 1.45 percent (.0145) for Class I service.
- Step 3** Multiply the result of Step 2 by years, months, and days of service.²
- Step 4** Divide the result of Step 3 by 12.

Class Two Example

AFC = \$25,000
Service Credit = 28 years
 $\$25,000 \times 1.82\% (.0182) = \455
 $\$455 \times 28 = \$12,740$
(annual retirement benefit)
 $\$12,740 \div 12 = \$1,061.67$
(Option A monthly annuity)

¹The dollar amount of payment for up to 45 days of unused annual leave paid by your last employer at retirement may be included before averaging your 12 highest consecutive quarters of earnable compensation. The result of Step 1 is your AFC.

²Convert months to days and divide the total days by 360 to determine a decimal equivalent for partial years. For example, 25 years, 2 months and 10 days equals 25 years, 70 days (60 + 10). $70 \div 360 = .19$. This amounts to 25.19 years of service.

Unused Leave at Retirement – Class Two Members Only

Annual Leave

Only an amount up to and including 45 days' pay for unused annual leave from your last termination payment shall be included before averaging your 12 highest consecutive quarters of earnable compensation (see Step 1 of the benefit formula above). If you are or plan to become a participant in the Teacher and Employee Retention Incentive (TERI) program, please see Page 16 concerning unused annual leave provisions.

Sick Leave

At retirement, you may receive service credit for up to 90 days of unused sick leave from your last employer at no cost to you (see Step 3 of the benefit formula above). This service credit cannot be used to establish retirement eligibility. Sick leave is reported by your employer after retirement. One month of service credit is granted for each 20 days of sick leave.

School District and Higher Education Employees

Adjustments may be required so that you receive credit for three full years of earnings. Such adjustments may include changes in payroll cycles, contract payouts, and any other occurrence that could potentially cause the AFC to include more or less than three full years of earnings.

Class Three – Membership Effective on or after July 1, 2012

The four-step formula below is used to calculate your monthly annuity based on the Option A payment plan.

Unused Leave at Retirement – Class Three Members Only

Class Three members will not receive service credit for any unused sick leave at retirement and any pay you receive at termination for unused annual leave will not be included in the calculation of your average final compensation.

Payment Options at Retirement

There are three monthly annuity payment options available to you at retirement. Select the option that best suits your needs. Your payment option may not be changed once your annuity is first payable.

Option A (Maximum Retiree Only Monthly Annuity)

This option provides the maximum monthly annuity available and will pay you a lifetime annuity based on your average final compensation, years of service, and a multiplier (.0182). After your death, the Retirement Systems will return, through a lump-sum payment to your

Class Three Benefit Formula

- Step 1** Total your 20 highest consecutive quarters of earnable compensation and divide by 5.
- Step 2** Multiply the result of Step 1 by 1.82 percent (.0182) for Class II service or by 1.45 percent (.0145) for Class I service.
- Step 3** Multiply the result of Step 2 by years, months, and days of service.
- Step 4** Divide the result of Step 3 by 12.

Class Three Example

$$\text{AFC} = \$35,000 + \$37,500 + \$37,500 + \$39,000 + \$41,500 \div 5 = \$38,100$$

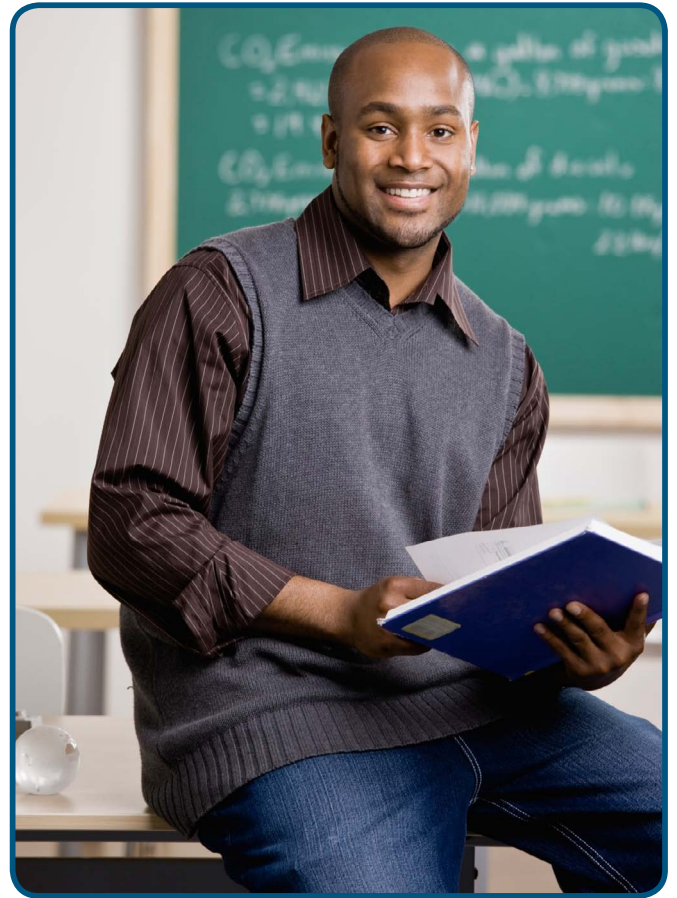
Member is age 60 with 30 years of service credit satisfying the rule of 90

$$\$38,100 \times 1.82\% (.0182) = \$693.42$$

$$\$693.42 \times 30 = \$20,802.60$$

$$\$20,802.60 \div 12 = \$1,733.55$$

(Option A monthly annuity)



beneficiary or your estate, the remaining balance of any member contributions and interest, and any working retiree contributions not exhausted through receipt of your annuity during your retirement.

Option B (100% - 100% Joint Retiree-Survivor Monthly Annuity)

You will receive a reduced (from Option A) monthly annuity for life. After your death, the same annuity (100 percent of your reduced monthly annuity, including granted benefit adjustments) will continue throughout your beneficiary's lifetime. If all of your designated beneficiaries predecease you, your annuity will revert to Option A, including any benefit adjustments granted since your retirement date.

You may select Option B only if your designated beneficiary is your spouse, or you designate multiple beneficiaries or a sole beneficiary who is not your spouse and who is within the

10-year age difference limits allowed by an Internal Revenue Code (IRC) formula. The non-spousal limits do not apply if the non-spousal beneficiary is older than you, or in the case of disability retirement or death benefits. If, based on the IRC formula, the adjusted age difference for you and a non-spousal beneficiary exceeds the IRC limits, Option B would not be available to you. You would be able to select Option C, however, with no IRC restrictions.

Option C (100% - 50% Joint Retiree-Survivor Monthly Annuity)

You will receive a reduced (from Option A) monthly annuity for life. After your death, one-half of the annuity (50 percent of your reduced monthly annuity, including granted benefit adjustments) will continue throughout your beneficiary's lifetime. If all of your designated beneficiaries predecease you, your annuity will revert to Option A, including any benefit adjustments granted since your retirement date.

If You Choose Option B or Option C

If you choose Option B or Option C and name multiple beneficiaries, after your death your annuity will be divided equally among those beneficiaries. The annuity will not change for the remaining beneficiaries if one beneficiary dies, either before or after the member dies. If you select Option B or Option C and all of your designated beneficiaries predecease you, your annuity will revert to Option A effective on the date the last beneficiary died. You must notify PEBA upon the death of a beneficiary.

Approximate Amount of Option A Monthly Annuity at Retirement Class Two and Class Three Members

The information in the table below is based on Option A. Choosing Option B or Option C to provide a future annuity for beneficiaries (or retiring with SCRS early retirement reductions) will reduce the amount of your monthly annuity.

AFC	Years of Service									Additional Monthly Benefit for Each Additional Year
	5*	10*	15*	20*	25*	28	30	35	40	
\$20,000	\$ 152	\$ 303	\$ 445	\$ 607	\$ 758	\$ 849	\$ 910	\$1,062	\$1,213	\$ 30
25,000	190	379	569	758	948	1,062	1,138	1,327	1,517	38
30,000	228	455	683	910	1,138	1,274	1,365	1,593	1,820	46
35,000	265	531	796	1,062	1,327	1,486	1,593	1,858	2,123	53
40,000	303	607	910	1,213	1,517	1,699	1,820	2,123	2,427	61
45,000	341	683	1,024	1,365	1,706	1,911	2,048	2,389	2,730	68
50,000	379	758	1,138	1,517	1,896	2,123	2,275	2,654	3,033	76
55,000	417	834	1,251	1,668	2,085	2,336	2,503	2,920	3,337	83
60,000	455	910	1,365	1,820	2,275	2,548	2,730	3,185	3,640	91
65,000	493	986	1,479	1,972	2,465	2,760	2,958	3,450	3,943	99
70,000	531	1,062	1,593	2,123	2,654	2,973	3,185	3,716	4,247	106
75,000	569	1,138	1,706	2,275	2,844	3,185	3,413	3,981	4,550	114
80,000	607	1,213	1,820	2,427	3,033	3,397	3,640	4,247	4,853	121
85,000	645	1,289	1,934	2,578	3,223	3,610	3,868	4,512	5,157	129
90,000	683	1,365	2,024	2,730	3,413	3,822	4,095	4,778	5,460	137
95,000	720	1,441	2,161	2,882	3,602	4,034	4,323	5,043	5,763	144
100,000	758	1,517	2,275	3,033	3,792	4,247	4,550	5,308	6,067	152
110,000	834	1,668	2,503	3,337	4,171	4,671	5,005	5,839	6,673	167

* SCRS early retirement reductions may apply.

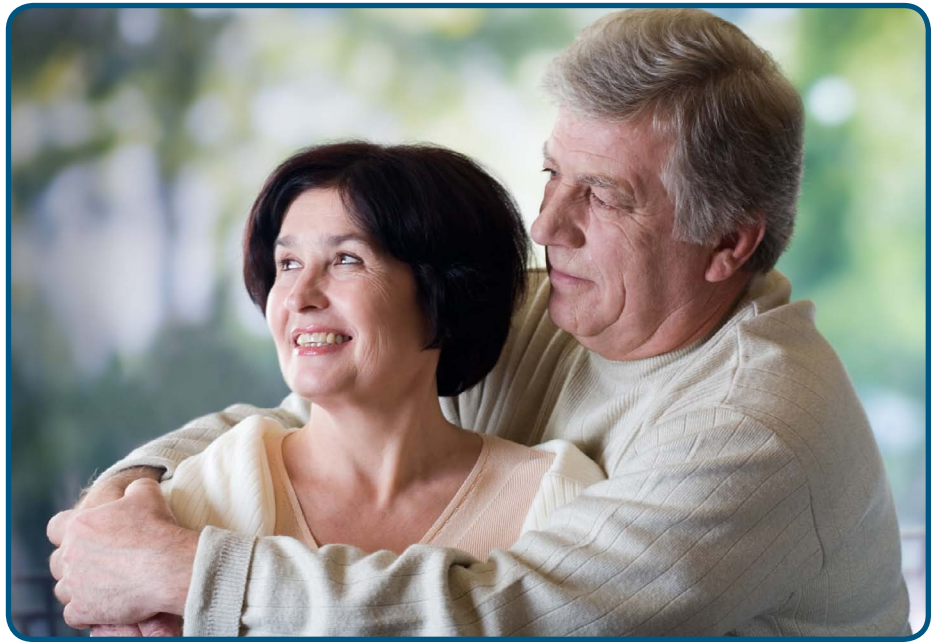
TERI Program – Class Two Members Only

If you are an active member who is eligible for service retirement based on any of the criteria outlined on Page 12, you may elect to participate in the Teacher and Employee Retention Incentive (TERI) program when you complete your application for service retirement. TERI participation allows you to retire and begin accumulating your monthly annuity on a deferred basis without terminating your employment. You must enroll at the time of retirement.

TERI participants employed by an agency that adheres to state personnel policies will be exempt from the State Employee Grievance Procedure Act. This means your employment as a TERI participant is at will. If a TERI participant works for an employer that is not governed by state personnel policies, the TERI participant would be subject to his employer's policies regarding employment status and rights.

By participating in TERI, you may defer receipt of your retirement annuity for up to 60 months if you begin TERI participation on or before July 1, 2013. The TERI program will be closed effective June 30, 2018. Your monthly annuity is accumulated in your TERI account. No interest is paid on the benefits accumulated in your TERI account. Retiree benefit adjustments are applied to a TERI participant's monthly annuity in the same manner in which other retirees receive such adjustments. You may participate in TERI only once. If you retired previously and received a service or a disability retirement annuity from SCRS, you are not eligible to participate in the TERI program. However, disability retirees who repaid all of the benefits they received and were restored to active membership are eligible to participate in the TERI program. Participants of the TERI program are not eligible for a disability retirement annuity.

If you die during your TERI participation period and your employer provides the incidental death benefit, your beneficiary may be entitled to a payment



equal to one year's earnable compensation. If you die while participating in TERI, in addition to any eligible incidental death benefit, the total amount of your benefits accumulated in your TERI account will be distributed to the beneficiary designated for your retirement benefit. A designated beneficiary who is a spouse may roll over the taxable portion of the TERI balance into an IRA, a 401(k) plan, a 401(a) eligible plan, a 403(b) plan, or a 457 plan. A non-spousal beneficiary may roll over the taxable portion of the TERI balance into an IRA only.

At the end of your TERI period, you must terminate employment. Confirmation of your actual termination date is required from your employer. You may then receive the balance in your TERI account through either a taxable, single-sum distribution payable directly to you or through a tax-deferred rollover into a qualified retirement plan. Any distribution paid directly to you is subject to ordinary federal and state income taxes and may be subject to an additional 10 percent federal penalty for early withdrawal. The 10 percent withdrawal penalty is waived for public safety employees age 50 and older, and military reservists and national guardsmen who are called to active duty for at least 180 days.

If you plan to return to work for a covered employer after your TERI period ends, you must consult with your employer regarding your employer's employment severance and return-to-work policy. You are not guaranteed employment; a covered employer decides whether or not to hire you after your TERI period has ended. Regardless of your

TERI retirement date, if you return to work after your TERI participation has ended, you will make employee contributions.

The TERI program will be closed effective June 30, 2018. Class Two members who enter the TERI program after July 1, 2013, will not be eligible to participate in TERI for the full five years. Instead, their TERI participation will end on June 30, 2018, regardless of when they entered the program. For example:

- A member who begins his TERI participation on July 1, 2013, will be eligible to participate in the TERI program for five full years before the program is closed on June 30, 2018.
- A member who enters the TERI program on July 1, 2014, will only be able to participate in the program for four years before the program is closed.
- A member who decides to enter the TERI program on June 1, 2018, will be eligible to participate for 30 days before the program is closed on June 30, 2018.



The TERI program is not available to Class Three members.

Contribution Rates

During your TERI period you will pay the same pre-tax contribution rate as active members for the duration of your TERI period; however, you will not earn service credit or interest on your account.

Unused Annual Leave and Your AFC

The initial annuity payments posted to your TERI account will be based on information received up to that point because your account is considered to be estimated. After your employer submits your final earnable compensation information, retirement contributions for your 12 highest consecutive quarters of earnable compensation will be audited. Your benefit may be adjusted accordingly after the audit to include service credit for up to 90 days of unused sick leave only. Your account will remain in this status for the duration of your TERI period. Upon termination of employment at the end of your TERI participation, your annuity will be recalculated to include payment for up to 45 days of unused annual leave paid at termination.

Post-Retirement Information

Monthly Annuity Payments

Monthly annuity payments are directly deposited into your bank account on the last business day of each month. Electronic distribution of monthly annuity payments reduces risks to both recipients and the state, as well as reduces costs to the retirement plans. You may add or change your direct deposit information any time by logging into PEBA's secure, online Member Access system for retirement benefits at <https://online.retirement.sc.gov/MemberAccess/welcome> or contact our office at 803-737-6800 or 800-868-9002 (within S.C. only) to request a *Direct Deposit Authorization* (Form 7204).

Taxes

The taxable portion of your monthly annuity and any incidental death benefit payments to your beneficiary are subject to federal and state income taxes. Check with an accountant or a tax advisor regarding your tax liability.

Benefit Adjustments

Under current law, each July 1, eligible SCRS retirees receive a benefit adjustment, formerly referred to as a cost-of-living adjustment or COLA, of 1 percent of their annual annuity up to a maximum of \$500 per year. The earliest you can receive a benefit adjustment is the second July 1 after your date of retirement. Class Two members who retire under the early retirement provisions at age 55 with 25 years of service, are not eligible for benefit adjustments until the second July 1 after they reach age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

Non-Working Retired Member Incidental Death Benefit

As a non-working retiree, if you die and your last employer prior to retirement provides incidental death benefit coverage (see Page 2), a payment based on your service credit will be paid to your beneficiaries as follows:

Years of Service Credit	Benefit
10 to 19 years of service credit	\$2,000
20 to 27 years of service credit	\$4,000
28 or more years of service credit	\$6,000

Amounts paid to your beneficiary are considered taxable benefits; therefore, federal taxes will be withheld unless your beneficiary rolls over the money into another qualified retirement plan. It is up to your beneficiary to request that state taxes be withheld from the payment.

Returning to Covered Employment

To return to work after you retire, you must first have a complete, bona fide severance or termination of employment. After 30 days of retirement, you may be hired by an employer covered by one of the retirement systems administered by PEBA to return to work. For Class Two members, the TERI period counts toward the 30-day break requirement. If you return to covered employment sooner than 30 consecutive calendar days after retirement, your monthly annuity will be suspended while you remain employed by a covered employer. A severance from employment is required at the end of

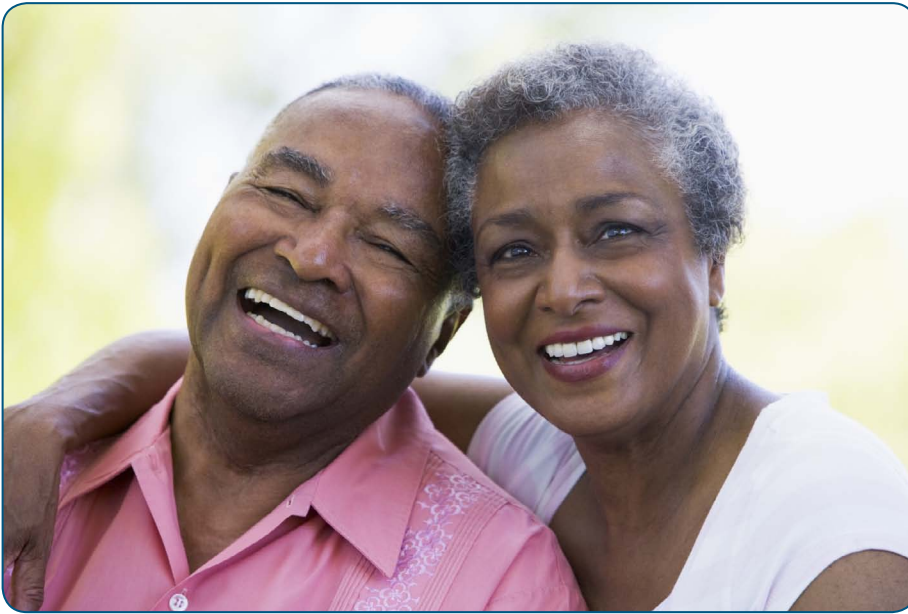


the TERI program before a member may receive his accumulated benefits or return to covered employment.

Effective January 2, 2013, if you retire before you reach age 62 and return to covered employment, you will be subject to a \$10,000 per year earnings limitation. This earnings limitation applies regardless of your age when you return to work. For example, you retire at age 58 with 30 years of service, and return to work when you are 63 years old. You would still be subject to the \$10,000 earnings limitation since you retired before you reached age 62. If you continue to work after earning \$10,000 in a calendar year, your monthly annuity will be suspended for the remainder of that year.

Certain members are exempt from the \$10,000 per year earnings limitation. These include members who retired prior to January 2, 2013, members who retire after age 62, members who are elected to office, members appointed by the governor and confirmed by the South Carolina Senate, and members who are appointed by the General Assembly.

Any retired member who is employed by an agency that adheres to state personnel policies will be exempt from the State Employee Grievance Procedure Act. This means your employment is at will. If, as a retired member, you return to work for an employer that is not governed by state personnel policies, you would be subject to your employer's policies regarding employment status and rights. TERI participants employed by an agency that is



covered by the State Employee Grievance Procedure Act will be exempt from the requirements of that Act (employment is at will). If a TERI participant works for an employer that is not governed by state personnel policies, the member would be subject to his employer's policies regarding employment status and rights. Any payout of unused annual leave to a working retiree will not be used in calculation of his benefit. Any member having questions regarding his employment status and rights upon becoming a TERI participant should contact his employer for clarification.

Working 48 Continuous Months

If you return to employment and work 48 continuous months for a covered employer with an annual earnable compensation of at least 75 percent of the AFC used to calculate your monthly annuity, you may elect to cease your monthly annuity and become an active member of SCRS. If you become an active member again, you have the option to repay all retirement benefits and make a payment equal to the amount you would have contributed during the period you would have been an active member plus interest to receive service credit for the 48-month period. When you subsequently retire, your monthly annuity will be calculated as if you were retiring for the first time. TERI participation does not count towards the 48-month period.

Working Retired Member Incidental Death Benefit

If you are a TERI participant or a working retired member and your employer provides incidental death benefit coverage, a payment equal to your current annual earnable compensation will be paid to your beneficiary. Amounts paid to your beneficiary are considered taxable benefits; therefore, federal taxes will be withheld unless your beneficiary rolls over the money into another qualified retirement plan. It is up to your beneficiary to request that state taxes be withheld from the payment.

Working Retired Member Contribution Rate

Retired members who return to covered employment contribute a tax-deferred 7.0 percent of gross pay into their retirement account. The employee contribution will increase to 7.5 percent effective July 1, 2013, and to 8.0 percent as of July 1, 2014. Working retirees will not earn additional service credit or receive interest on their account; however, working retirees can be assured of getting back contributions made as a working retiree through annuity payments to the retiree or annuity payments and/or a refund of contributions to the retiree's surviving beneficiary.

Beneficiary and Payment Option Changes

Retired Member Incidental Death Benefit

You may change your beneficiary for the retired member incidental death benefit at any time regardless of the payment option you selected.

Option A

You may change your beneficiary for retirement benefits at any time. If you have a change in marital status (death of spouse, marriage, divorce), you may also select a new payment option within one year of the qualifying event.

Option B and Option C

If all of your beneficiaries predecease you, your monthly annuity will revert to Option A effective on the date the last beneficiary died. You must notify PEBA upon the death of a beneficiary. You may then designate a new beneficiary under Option A. If you have a change in marital status (death of spouse, marriage, divorce), you may also select a new payment option and designate a new beneficiary within one year of the qualifying event.

Payment Option Change Limitation

Your form of monthly payment may not be changed more than twice regardless of the number of events (death of a designated beneficiary or change in marital status) that occur. A reversion to Option A after the death of your beneficiary will count as one of the two changes. If a second beneficiary predeceases you after you have again selected Option B or Option C, you will revert automatically to Option A; however, no further form of payment changes will be allowed. Changes in form of payment occurring before January 1, 2001, are not included in the limitation provision.

For More Information

Be sure to visit our website at www.retirement.sc.gov for additional information, resources, and tools. Estimate how much how much your retirement benefit will be by using our online calculators.

Sign up for our RSS feed while you are on the website so you can receive email notifications when we update the site or post important news.

You may also contact Customer Services by telephone at 803-737-6800 or toll free at 800-868-9002 (within S.C. only), by email at www.retirement.sc.gov/contact/email.htm, or by live chat by clicking on the "Customer Service Chat Now" button in the header area of our homepage (www.retirement.sc.gov).

Notes

A smiling man with short brown hair, wearing a light blue dress shirt and a red striped tie, is positioned in the foreground. The background is a blurred image of a large, classical-style building with white columns and a pediment, likely a government or institutional building.

SCRS Member Handbook

January 2013 Edition

S.C. Public Employee Benefit Authority Retirement Benefits

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